



Philadelphia Home Ownership Center

U.S. Department of Housing and Urban Development

The Wanamaker Building
100 Penn Square East
Philadelphia, PA 19107-3389

CIRCULAR LETTER PH 03-02

June 18, 2003

TO: All Approved Mortgagees Doing Business in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia

FROM: Engram A. Lloyd, Director, Homeownership Center

SUBJECT: Case Numbers for Former and Current REO Properties

In Circular Letter PH 00-05, the Philadelphia Home Ownership Center established procedures to be followed by mortgagees seeking case numbers for current and former REO properties. This Circular Letter PH 03-02 supersedes Circular Letter 00-05.

Former REO Properties

On May 22, 2003, HUD issued Mortgagee Letter 2003-07 that implemented the final rule prohibiting property flipping that was published in the Federal Register on May 1, 2003. This regulation and mortgagee letter make ineligible for FHA mortgage insurance properties owned for less than 90 days. New requirements were also established for properties owned between 91 and 180 days where the resale price exceeded the acquisition price by 100% or more.

Because these procedures apply to all properties, there is no longer a need to establish special procedures for case number assignments for former REO properties. Effective June 2, 2003, HUD will automatically release case numbers from Holds Tracking for transactions involving former REO properties. Mortgagees are reminded however, that consistent with the instructions provided in Mortgagee Letter 2003-07, where the former REO property has been owned for less than 90 days, the property is not eligible for FHA mortgage insurance. Where the property has been owned for 91 to 180 days, and the new sales price exceeds the acquisition price by 100% or more, the lender must order a second appraisal. Where the property has been owned for more than 180 days, no special requirements apply at this time.

Current REO Properties

The ownership time limitations specified in Mortgagee Letter 2003-07 do not apply to current REO properties. However, mortgagees must ensure that the REO Sales Contract (Form HUD-9548) is executed by the appropriate management and marketing contractor, and that FHA-Insured financing is specified.

The ADP Code entered when requesting the case number must be consistent with the sales approach under which the REO property was listed for sale. Where the property was offered for sale Insured, or Insured With Escrow and the ADP code is 703 or 734 (for condominiums), the case number will automatically be released from Holds Tracking. Where the property was offered for sale Uninsured, and the ADP code is 702 the case number will automatically be released from Holds Tracking. No additional action on the part of the mortgagee is required.

Where a property was offered for sale Uninsured, and the ADP Code is 703 or 734, mortgagees will receive a message advising them to submit a copy of the REO sales contract executed by the appropriate management and marketing contractor. Where the executed sales contract specifies Insured or Insured with Escrow financing, HUD will release the case number. Where the sales contract does not specify Insured or Insured with Escrow financing, the case number will not be released until an amended sales contract is submitted.

For properties located in Delaware, District of Columbia, Maryland, Michigan, Pennsylvania, Virginia and West Virginia, the sales contract should be faxed to (215) 656-3434. For properties located in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Rhode Island and Vermont, the sales contract should be faxed to (215) 656-3438.

We appreciate your cooperation in complying with these policies. If you have any questions or comments, please direct them to Philip_Caulfield@hud.gov.